

BEFORE ALLAN L. MCVEY, INSURANCE COMMISSIONER
OF THE STATE OF WEST VIRGINIA

In the Matter of:

WEST VIRGINIA MUTUAL INSURANCE COMPANY (NAIC #11972)

ADMINISTRATIVE PROCEEDING NO. 23-IC-02096

ORDER ADOPTING REPORT OF FINANCIAL EXAMINATION

NOW COMES, Allan L. McVey, Insurance Commissioner of the State of West Virginia (hereinafter, "Commissioner"), who, after consideration of the Report of Financial Examination (hereinafter, the "Examination Report") of West Virginia Mutual Insurance Company (hereinafter referred to as "Company"), as of December 31, 2021, made the following findings of fact, conclusions of law and order.

FINDINGS OF FACT

1. The Company was organized pursuant to provisions of Article 22, Chapter 33 of the *West Virginia Code*.
2. The Company was created through legislation, West Virginia House Bills 601 and 2122 of 2002 and 2003, respectively, to provide medical professional liability insurance ("MPLI") to physicians in West Virginia (WV). The Company's creation was in response to a market crisis in professional liability insurance for West Virginia physicians. The Company was initially incorporated in West Virginia as a mutual insurer under the name West Virginia Physicians Mutual Insurance Company on August 29, 2003, and commenced business on July 1, 2004. The company adopted its current name in June 2006. The company assumed certain assets and liabilities of the Board of Risk Insurance Management ("BRIM"), which had previously provided MPLI to physicians. The Company assumed all applicable policies previously carried by BRIM from 2002 going forward. The Company

remains the leading provider (based on market share of direct premium written) of MPLI coverage in the State of West Virginia. During the examination period, there were two amendments to the Company's Bylaws, and one amendment to its Articles of Incorporation.

3. An examination of the financial condition and operational affairs of the Company for period beginning January 1, 2019, and ending December 31, 2021, was conducted in accordance with *West Virginia Code* §33-2-9(c) by the Insurance Commissioner.

4. On February 28, 2023, the examiner filed a Report of Financial Examination with the Insurance Commissioner pursuant to *West Virginia Code* §33-2-9(j)(2). A copy of the Report of Financial Examination is attached hereto as Exhibit A and incorporated herein as if set forth in full.

5. On or about April 17, 2023, a true and accurate copy of the Report of Financial Examination was sent to Neil Morrel, CEO, and received via email. A copy of the Letter dated April 17, 2023, is attached hereto as Exhibit B.

6. Pursuant to *West Virginia Code* §33-2-9(j)(2), the Company, by letter dated April 17, 2023, Exhibit B, was notified and afforded a period of ten (10) days, after receipt of the Report of Financial Examination, to make a submission, rebuttal, or objection concerning any matter contained in the Report.

7. By letter dated April 17, 2023, Neil Morrel acknowledged that he had reviewed and accepted the Report of Financial Examination and did not materially dispute the findings of the examination. A copy of the Company's letter of April 17, 2023, is attached hereto as Exhibit C.

CONCLUSIONS OF LAW

1. The Insurance Commissioner is charged with the duty of administering and enforcing the provisions of Chapter 33, of the West Virginia Code of 1931, as amended.

2. The Company was organized pursuant to the provisions of Article 22, Chapter 33 of the *West Virginia Code*, and during the exam period it converted to a domestic stock company.

3. *West Virginia Code* § 33-2-9(j)(2) provides that no later than sixty (60) days following completion of the examination, the examiner in charge shall file with the Insurance Commissioner a verified, written Report of Financial Examination under oath, and, upon receipt of the verified report, the Insurance Commissioner shall transmit the Report of Financial Examination to the Company with a notice that shall afford the Company a reasonable opportunity, of not more than thirty (30) days, to make a written submission or rebuttal.

4. *West Virginia Code* § 33-2-9(j)(3) provides that within thirty (30) days of the end of the period allowed for the receipt of written submissions or rebuttals the Insurance Commissioner shall fully consider and review the Report of Financial Examination, together with any written submissions or rebuttals, and shall enter an ORDER adopting the Report of Financial Examination as filed, or with modifications or corrections, enter an ORDER rejecting the Report of Financial Examination with directions to the examiners to reopen the examination or call for an investigatory hearing.

ORDER

It is therefore **ORDERED** as follows:

1. The Report of Financial Examination of the Company, attached hereto as Exhibit A, is hereby **ADOPTED** and **APPROVED** by the Insurance Commissioner.


2. A copy of this *Order Adopting Report of Financial Examination* and the Report of Financial Examination shall be mailed to the Company via certified mail, return receipt requested, upon entry by the Insurance Commissioner.

3. The Company shall file with the Insurance Commissioner, within thirty (30) days of the issuance of this Order, affidavits executed by each of its directors stating under oath that they have received a copy of the Report of Financial Examination and a copy of this *Order Adopting Report of Financial Examination* in accordance with *West Virginia Code* § 33-2-9(j)(4).

4. The Company shall take whatever actions are required to comply with the recommendations set forth in the Report of Financial Examination, if any, and shall demonstrate compliance to the satisfaction of the Insurance Commissioner, if necessary.

5. Inasmuch as orders entered by the Insurance Commissioner are subject to judicial review as set forth in *West Virginia Code* §33-2-14, any person aggrieved by any this order may, within 30 days after the order has been mailed or delivered to the persons entitled to receive the same, file an appeal in and with the Intermediate Court of Appeals of West Virginia.

Entered this 21ST day of April 2023.


Allan L. McVey
CPCU, ARM, AAI, AAM, AIS
West Virginia Insurance Commissioner

REPORT OF EXAMINATION
OF
WEST VIRGINIA MUTUAL INSURANCE COMPANY
CHARLESTON, WV
NAIC # 11972
AS OF DECEMBER 31, 2021



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SALUTATION

February 28, 2023
Charleston, West Virginia

The Honorable Allan L. McVey
West Virginia Insurance Commissioner
900 Pennsylvania Ave.
Charleston, West Virginia 25302

Pursuant to the authority vested in the West Virginia Offices of the Insurance Commissioner ("WVOIC"), as well as rules, regulations and procedures promulgated by the National Association of Insurance Commissioners ("NAIC"), an examination has been made of the administrative affairs, books, records, and financial condition of:

West Virginia Mutual Insurance Company
235 Capitol St.
Charleston, WV 25301

hereinafter referred to as the "Company" or "WVMIC". The following Report of Examination is respectfully submitted.

SCOPE OF EXAMINATION

The last examination covered the five-year period from January 1, 2014 through December 31, 2018. This examination commenced on May 4, 2022 pursuant to W.Va. Code §33-2-9(a), as amended, covering the period from January 1, 2019 through December 31, 2021, including any material transactions or events occurring subsequent to the examination date and noted during the course of the examination.

This full-scope, multistate examination of the Company was part of a coordinated financial examination of companies in the MAG Mutual Insurance Group (NAIC Group #413) led by the Georgia Office of Commissioner of Insurance and Safety Fire ("OCI"), with the states of Arizona, Georgia, West Virginia, and the District of Columbia participating.

The purpose of this examination is to assess the financial condition of the Company and set forth findings of fact (together with citations of pertinent laws, regulations and rules) with regard to any material adverse findings disclosed by the examination.

The general procedures of the examination followed rules and standards as set forth in the NAIC Financial Condition Examiners Handbook ("Handbook") and West Virginia Laws, Regulations, and Directives of the WVOIC. The examination was conducted to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risk within the Company and evaluating system controls and procedures used to mitigate those risks. In addition, the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statements of Statutory Accounting Principles ("SSAP") and annual statement instructions were assessed.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

The report is presented on an exception basis. It is designed to set forth the facts with regard to any material adverse findings disclosed during the examination. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were discussed with responsible Company officials during the course of the examination.

SUMMARY OF SIGNIFICANT FINDINGS

There are no significant findings as a result of this examination.

HISTORY

The Company was created through legislation, West Virginia House Bills 601 and 2122 of 2002 and 2003, respectively, to provide medical professional liability insurance ("MPLI") to physicians in West Virginia (WV). The creation was in response to a market crisis in professional liability insurance for West Virginia physicians.

The Company was initially incorporated in West Virginia as a mutual insurer under the name West Virginia Physicians Mutual Insurance Company on August 29, 2003 and commenced business on July 1, 2004. The Company adopted its current name in June 2006. The Company assumed certain assets and liabilities of the Board of Risk Insurance Management ("BRIM"), which had previously provided MPLI to physicians. The Company assumed all applicable policies previously carried by BRIM from 2002 going forward.

On October 19, 2020, the Company de-mutualized and converted to a West Virginia domestic stock company after a three-fourths vote of the Company's current members voting thereon in person, by proxy or by mail at a special meeting. The equity of each policyholder was determined under a fair formula approved by the Commissioner, with such equity based upon the Company's entire surplus plus a reasonable present equity in reserves and in all non-admitted assets. On November 1, 2020, 100% of the policyholder equity in the Company was purchased by MAG Mutual Insurance Company ("MMIC"). As part of the transaction, the mutual policyholder membership interest of all the Company's policyholders was exchanged for mutual membership interests in the MAG Mutual Holding Company ("MHC").

The Company remains the leading provider (based on market share of direct premium written) of MPLI coverage in the State of West Virginia.

During the period of examination, there were two amendments to the Company's Bylaws, and two amendments to its Articles of Incorporation.

- In 2020, the Bylaws were amended to the Fourth Amended and Restated Bylaws, to change (a) the classes and qualifications for members to only allow insured physicians to be eligible for membership rather than "licensed physicians, physician corporations, and physician operated clinics"; (b) to change the Board of Directors to be at least 7 directors, but no more than 11 directors rather than at least 11 and no more than 13; (c) to delete all of the §4.1 subsections; (d) to change the Finance Committee members so it includes the CFO or Controller rather than just the CFO; and (e) to remove the reference to Article 20F of Chapter 33 of the West Virginia Code.
- In 2021, the Bylaws were amended to the Fifth Amended and Restated Bylaws. This Amendment made substantial changes in order for the Company to de-mutualize as part of the acquisition process.
- In 2020 the Articles of Incorporation were amended to the Third Amended and Restated Articles of Incorporation to remove obsolete language from Article IV, Section 3(B)(g),

and to amend Article V, Section 2 to reflect the Company's intention that only insured physicians with in-force policies are eligible to be members of the Company.

- In 2020, the Articles of Incorporation were amended a second time to the Fourth Amended and Restated Articles of Incorporation. Numerous substantial changes were made due to the de-mutualization and acquisition by MMIC. Some of the changes included: updating the type of Company, changes to the Board of Director composition, reflecting that the Company can issue and redeem stock and identifying the authorized capital of the Company, stating that the Company is owned by the stockholders, and identifying the powers vested in the stockholders.

Capitalization

West Virginia House Bills 601 and 2122 of 2001 and 2003, respectively, provided the Company with initial capital and surplus of \$31,000,000 through the issuance of a surplus note to the state of WV and one-time assessments of insurance carriers and physicians licensed in West Virginia. The company repaid the final \$8,000,000 of the surplus note on January 8, 2009.

As noted previously, the Company converted to a domestic stock company during the period of examination. The Company's Fourth Amended and Restated Articles of Incorporation state that the Company's authorized capital shall be not less than \$1,000,000 and shall consist of at least 1,000 shares, but not more than 75,000 shares, of \$1,000 par value per share, in only one class of stock. At December 31, 2021, the Company has 1,000 shares of common stock with a par value of \$1,000 per share issued and outstanding.

Dividends to Policyholders

Dividends to policyholders are determined based on financial results and surplus levels, and are expensed as declared by the Board of Directors. During the examination period, the following dividend activity occurred:

- On December 2, 2019, the Company declared a policyholder dividend of \$3,500,000. The cash dividend was paid to policyholders in December, 2019.
- On January 7th, 2021, the Board approved a regular policyholder dividend of two percent (2%) of medical professional liability premium. The regular policyholder dividend was payable to policyholders of the Company having insurance policies in force and of record as of the close of business on February 1, 2021 and was paid or credited to the policyholder at the policyholder's next insurance policy renewal date after April 1, 2021.

Dividends to Stockholders

- On March 3, 2021, the Company issued a stockholder dividend to its parent, MMIC, totaling \$80,000,000.

Mergers and Acquisitions

During the examination period, the Company de-mutualized and was acquired by MAG Mutual Insurance Company.

Significant Changes in Key Trends

As a result of physician retirements and hospital/physician consolidations in West Virginia, the insured base has been gradually declining. This has been somewhat offset by rate increases in 2021. The following illustrates the change in net premium written over the last three years:

DIRECT WRITTEN PREMIUM		
2021	2020	2019
\$15,704,058	\$15,162,531	\$16,059,122

MANAGEMENT AND CONTROL

BOARD OF DIRECTORS

The Company is governed by its Shareholder (MMIC) and a Board of Directors. The Company's Fifth Amended and Restated Bylaws provide for a Board of Directors to be composed of not less than seven (7) and not more than eleven (11) natural persons who are eighteen years of age or older, the majority of which must be United States citizens. Except for the "Initial Directors," and except for the Executive Chairman, Chief Executive Officer, Chairman and President serving as a Director who must be full time employees of the Company or an affiliate, all Directors shall consist of person insured by the Company or an affiliate, engaged in the active practice of medicine. The "Initial Directors" were those Directors serving as Directors at the time of conversion from a mutual insurer to a stock insurer, and shall serve three annual terms with the first term beginning in 2020 and ending at the Company's first annual meeting of shareholders in 2021.

Beginning with the annual meeting of its shareholder in 2023, the Directors are to be nominated by the Executive Chairman or by his delegate, and are elected by the shareholders to serve a full term of three (3) years and until their successors are duly elected and qualified. The Chairman, Chief Executive Officer, and the President of the Company are automatically nominated for election at the first Annual Meeting following the expiration of their then current respective terms. Directors who have reached 71 years of age are ineligible for re-election for another term, and are only allowed to continue their tenure until the end of the calendar year in which they have attained 71 years of age, unless an exception has been approved by the Board of Directors in accordance with the Bylaws. This exception can be approved for an additional one-year term, to a maximum of three such one-year terms.

The Board is required to elect a chairman who presides at the meetings of the Board of Directors.

The Bylaws were amended in 2020 and again in 2021, with the most recent amendment to facilitate the de-mutualization as part of the acquisition process. The Company plans to amend the Bylaws to correct some clerical errors made in the drafting of the Fifth Amended and Restated Bylaws that did not appropriately capture the intended governance changes after the acquisition.

The individuals serving as members of the Board of Directors as of December 31, 2021 were as follows:

Name and Address	Business Affiliation	Board Member Since
R. Austin Wallace, MD, Chair ¹	WVMIC President	July 1, 2004
John W. Neville, Jr., M.D	General practitioner in Putnam County	January 1, 2012
Michael A. Stewart, M.D	Radiation oncologist in Clarksburg, West Virginia	July 1, 2004
Hans G. Dransfeld, M.D.	Radiologist in Huntington WV	July 1, 2014
Dara P. Aliff, D.O	Obstetrician-gynecologist practicing in Charleston, West Virginia	2018
Steven C. Lochow, M.D	Orthopedic surgeon practicing in Huntington, West Virginia	July 1, 2019
Luke W. Martin, M.D	Practicing general surgeon	2015
Tamara D. Huffman	WVMIC COO	July 1, 2004
Bruce R. Martin	Retail insurance	July 1, 2004

OFFICERS

The Company's Fifth Amended and Restated Bylaws provide for the following officers to be elected by the Board: Executive Chairman, a Chairman, a Chief Executive Officer, a President, a Secretary, and a Treasurer. Any two offices may be held by the same person except the offices of President and Secretary. Officers serving as of December 31, 2021, were as follows:

Name	Title
R. Austin Wallace, MD ²	President and Chairman of the Board
Neil E. S. Morrell	Chief Executive Officer
Tamara D. Huffman	Chief Operating Officer
John W. Neville	Vice Chairman
Luke W. Martin ³	Secretary
Naveed Anwar	Treasurer
Michael Markett ⁴	Assistant Secretary

¹ Dr. Wallace was replaced by Dr. William Kanich as Chairman of the Board of Directors on October 31, 2022.

² On October 31, 2022, Dr. Wallace retired and Dr. William Kanich became the Executive Chairman.

³ Dr. Martin replaced Hans Dransfeld as Secretary after Mr. Dransfeld's last meeting on November 18, 2021 and it was ratified at the February 17, 2022 board meeting.

⁴ Mr. Markett was removed as an Officer of the Company effective May 19, 2022. He was not replaced.

COMMITTEES

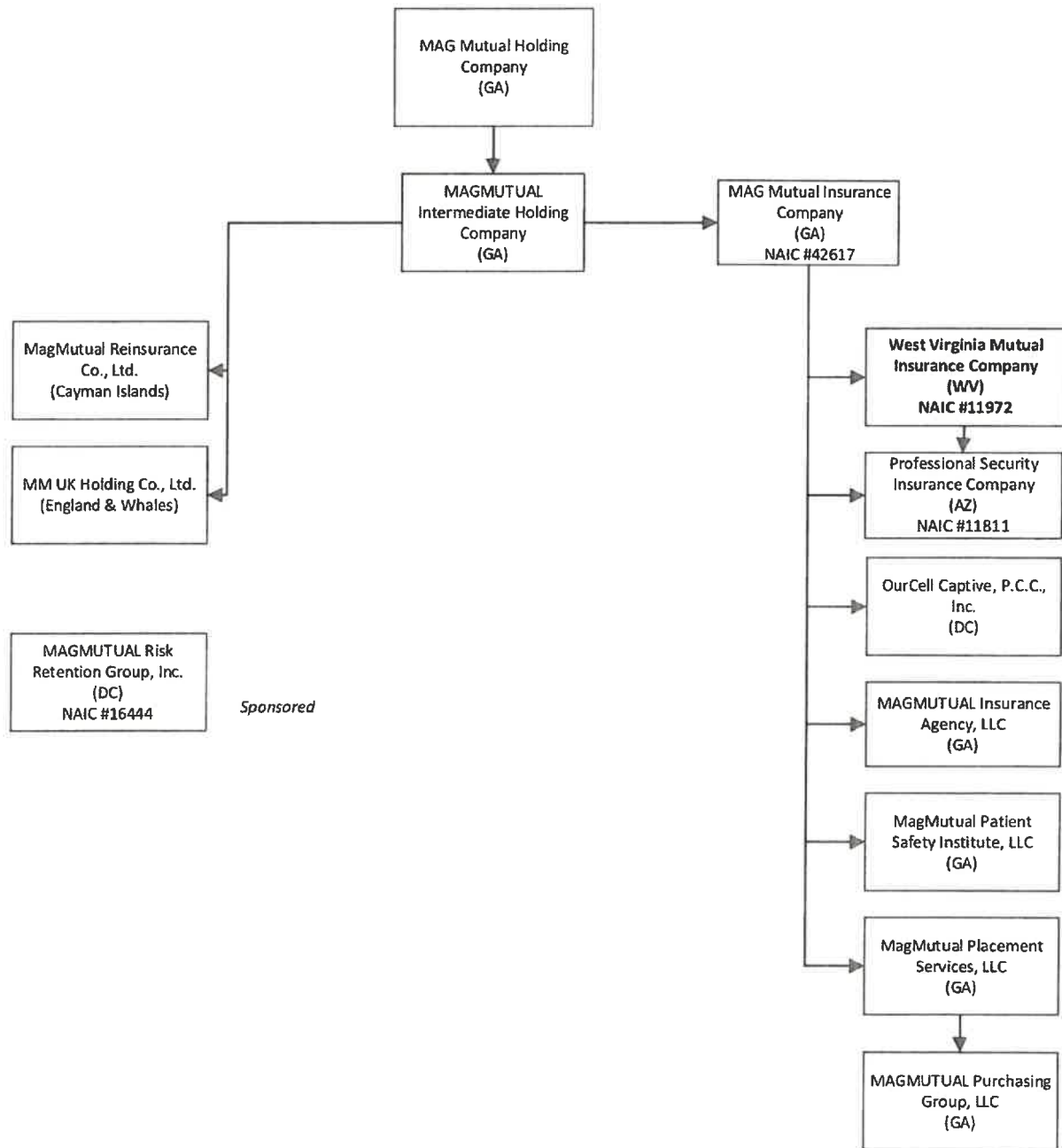
The Bylaws require no formal committees. Due to the Company's acquisition by MMIC, all WVMIC Board of Director committees were disbanded.

Examiners performed a review of the Board, Board Committee, and Membership/Shareholder meeting minutes for the period under examination. During our review, we noted the following: (1) the shareholder did not hold an annual meeting in 2021 or 2022 as required by the bylaws; (2) the Board of Director and Shareholder meeting minutes did not document the effective dates for all Board of Director changes during the examination period (appointments and departures); (3) the Board of Directors did not, at its annual meeting of the Board of Directors, designate all officer positions that the Bylaws specify are to be designated by the Board of Directors.

The Company has indicated that the Bylaws mistakenly did not accurately reflect the intent of management and control of the Company after the acquisition and is submitting updated Bylaws to the department.

ORGANIZATIONAL CHART

At December 31, 2021, the following entities were the members of the holding company group:



AGREEMENTS

Tax-Sharing Agreement

Prior to November 1, 2020, the Company filed its tax return on a standalone individual company basis. Subsequent to the purchase date, the Company joins in the filing of a consolidated federal income tax return with the Parent. The method of tax allocation between the companies is subject to a written tax-sharing agreement, approved by the Board of Directors, whereby allocation is made primarily on a separate return basis with current credits for any net operating losses or other items utilized in the consolidated tax return. Intercompany tax balances are settled annually within 90 days of the filing of the final return.

Intercompany pooling agreement

The Company has an intercompany pooling agreement with MMIC, effective January 1, 2021, which replaced the prior intercompany pooling agreement that was effective November 1, 2020. The Company cedes 100% to the pool and does not assume any business from the pool. The Company cedes its liabilities including reserves for unearned premiums, outstanding losses and loss expenses (including unreported losses), incurred policyholder dividends, and all underwriting and administrative expenses except for intercompany balances, liabilities for corporate taxes including federal and state taxes, and liabilities incurred in connection with investment transactions. The liabilities reinsured by MMIC are reduced by a ceding commission allowance equal to 25% of direct written premiums. At the end of each quarter the commission allowance is adjusted to equal all underwriting expenses incurred, excluding income taxes, charitable contributions and all other strictly corporate expenses.

Cost-Sharing Agreement

The Company has a cost-sharing agreement with MMIC effective November 1, 2020 under which MMIC provides to the Company furniture, fixtures, equipment, shared employees, and professional services including, but not limited to: investment management related services, IT and computer systems supports, claims and underwriting administration, legal and accounting support, pension costs, insurance coverage and telephone services. The cost of providing the professional services are estimated based on budgeted expenses and are settled quarterly within 60 days of the end of each quarter. At the end of each calendar year the estimated expenses paid by the Company is adjusted to the actual expenses incurred by MMIC and the difference is settled between the parties. Because WVMIC is a participant in the pooling agreement described above, most if not all of the operating expenses allocated to the Company are allocated back to MMIC due to the pooling agreement. The expenses related to this agreement were \$229,649 and \$94,507 in 2021 and 2020, respectively. The Company's payable to MMIC at December 31, 2021 and 2020 was \$3,009,278 and \$0, respectively, due to expenses paid by MMIC on behalf of the Company.

TERRITORY AND PLAN OF OPERATION

The Company only writes MPLI. The Company was initially licensed in WV, and obtained licenses in Ohio, Kentucky, and Virginia in 2009, and is a qualified/accredited reinsurer in

Arizona. Although licensed in three other states, the Company wrote 99.8% of its business in West Virginia as of December 31, 2021.

REINSURANCE

Assumed

In 2016, The Company entered into a Variable Quota Share (assuming) reinsurance agreement with MAG Mutual and its subsidiaries. This policy was commuted as a result of the acquisition by MMIC. The Company no longer assumes any insurance.

Ceded

On November 1, 2020, the Company entered into an intercompany pooling agreement with MMIC under which the Company cedes 100% of its unpaid loss and LAE to MMIC. The Company does not assume any business from the pool.

Prior to the Company's acquisition by MMIC, it had reinsured portions of its MPLI coverage to limit the amount of losses on individual claims. These reinsurance contracts were not renewed as of December 31, 2020 because 100% of the Company's losses and loss adjustment expenses are ceded to MMIC as part of the pooling agreement noted previously. The Company used BMS Intermediaries, Inc. as its reinsurance intermediary for treaties commencing July 1, 2013 and later, excluding the intercompany pooling agreement. The Company continues to report balances related to the non-renewed treaties while the claims covered by these treaties continue to run-out.

Captive Reinsurance Arrangement

The Company entered into a captive reinsurance arrangement with one of its larger insured groups as of January 1, 2016. The physicians are issued underlying policies from the Company with \$1 million excess / \$3 million individual limits. The insured's captive reinsurer (Rembrandt SP Ltd. for an on behalf of Docks Group, LLC SP 2012-10) retains the first \$350,000 each incident (\$700,000 in the aggregate). This agreement was terminated effective September 1, 2020. The Company continues to report balances related to this agreement while the claims covered by this agreement continue to run-out.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the WVOIC and present the financial condition of the Company for the period ending December 31, 2021. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

ASSETS DECEMBER 31, 2021

	Assets	Non-Admitted	Admitted Assets
Bonds	\$15,272,588	\$0	\$15,272,588
Cash and Equivalents	4,124,851		4,124,851
Subtotals	\$19,397,439		\$19,397,439
Investment Income Due and			
Accrued	109,478		109,478
Uncollected Premium	377,050		377,050
Deferred Premium	1,882,801		1,882,801
Amounts Recoverable from			
Reinsurers	2,289,756		2,289,756
Net Deferred Tax Asset	3,096,303	2,702,818	393,485
Receivables from Parent,			
Subsidiary, and Affiliates	2,545,952		2,545,952
Aggregate Write-Ins	3,830		3,830
Total Assets	\$29,702,609	\$2,702,818	\$26,999,791

**LIABILITIES, CAPITAL AND SURPLUS
DECEMBER 31, 2021**

Losses	\$0
Loss Adjustment Expenses	0
Commissions Payable	66,139
Other Expenses	627,956
Taxes, Licenses and Fees	328,874
Current Federal and Foreign Income Tax	839,367
Advance Premium	146,553
Dividends Declared and Unpaid: Policyholders	21,008
Ceded Reinsurance Payable	2,100,130
Payable to Parent, Subsidiaries, and Affiliates	3,009,278
Total Liabilities	\$7,139,305
Common Capital Stock	1,000,000
Gross Paid in and Contributed Surplus	6,651,150
Unassigned Funds (Surplus)	12,209,336
Surplus as regards to Policyholders	19,860,486
TOTAL	\$26,999,791

STATEMENT OF INCOME
DECEMBER 31, 2021

Premiums Earned	\$0
Losses Incurred	0
Other Underwriting Expenses	606,962
Total Underwriting Deductions	606,962
Net Underwriting Gain	\$(606,962)
Net Investment Income	485,659
Net Realized Capital Gains	3,835,893
Net Investment Gain	\$4,321,552
Finance & Service Charges Not Included in Premiums	21,712
Total Other Income	21,712
Net Income Before Taxes and Dividends	3,736,302
Dividends to Policyholders	282,930
Federal and Foreign Income Tax	(180,300)
Net Income	\$3,633,672

**RECONCILIATION OF SURPLUS
DECEMBER 31, 2021**

Surplus as of Prior Examination – 12/31/2018	\$94,717,268
Net Income	4,414,122
Change in net unrealized capital gains	270,252
Change in net deferred income tax	(751,788)
Change in nonadmitted assets	1,161,754
Change in surplus as regards to policyholders	<u>5,094,345</u>
Surplus at December 31, 2019	<u>\$99,811,613</u>
Net Income	(668,206)
Change in net unrealized capital gains	(787,839)
Change in net deferred income tax	(709,547)
Change in nonadmitted assets	(1,103,991)
Transferred from Surplus (Stock Dividend)	1,000,000
Surplus Adjustments: Paid In	<u>(1,000,000)</u>
Change in surplus as regards to policyholders	<u>(3,269,583)</u>
Surplus at December 31, 2020	<u>\$96,542,030</u>
Net Income	3,633,672
Change in net unrealized capital gains	(12)
Change in net deferred income tax	(341,765)
Change in nonadmitted assets	26,561
Dividends to Stockholders	<u>(80,000,000)</u>
Change in surplus as regards to policyholders	<u>(76,681,544)</u>
Surplus at December 31, 2021	<u>\$19,860,486</u>

SUMMARY OF EXAMINATION CHANGES

There were no adjustments to the financial statements as a result of the examination.

SUBSEQUENT EVENTS

The following item was noted during the completion of the standard subsequent events procedures as part of the financial examination:

1. On August 15, 2022, MMIC announced its planned purchase of MDAdvantage Insurance Company, a New Jersey based medical professional liability insurer. The acquisition was approved by the New Jersey Department of Banking and Insurance on December 19, 2022. The deal closed and MDAdvantage Insurance Company of New Jersey became a wholly-owned subsidiary of MAG Mutual Insurance Company on January 1, 2023.

SUMMARY OF EXAMINATION RECOMMENDATIONS

As a result of the traditional scope financial examination, the following recommendations are made:

1. Board Approval of investments

Issue: WV Code §33-8-4(b) requires the Board of Directors to evidence by formal resolution, at least annually, that it has determined whether all investments have been made in accordance with delegations, standards, limitations, and investment objectives prescribed by the Board or a committee of the Board charged with the responsibility to direct its investments. Based on a review of the Board minutes, no formal resolutions were identified for 2019, 2020, 2021, or 2022.

Recommendation: It is recommended that the WVMIC Board of Directors evidence by formal resolution, at least annually, a review of the investments and a determination whether all investments are in compliance with the investment policy as approved by the WVMIC Board of Directors or a committee of the WVMIC Board of Directors that has been charged with this responsibility.

Company response: The Company agreed with the recommendation.

2. Custodial Agreement Provisions

Issue: On December 16, 2020, WVMIC was added to the Master Custody Agreement between The Northern Trust Company and Mag Mutual Insurance Company and its subsidiaries and

affiliates. This agreement was originally effective October 29, 2019. WVMIC was not in compliance with W.Va. Code §33-8A-6 as follows:

- a) WV Code §33-8A-6(b) requires "The agreement shall be in writing and shall be authorized by a resolution of the board of directors of the insurance company or of an authorized committee of the board." We were unable to confirm that the WVMIC Board or a committee authorized by it has authorized WVMIC's participation in this agreement via a formal resolution.
- b) WV Code §33-8A-6(b) (4) requires the agreement to contain the following clause: "Custodied securities shall be held subject to the instructions of the insurance company and shall be withdrawable upon the demand of the insurance company, except that custodied securities used to meet the deposit requirements set forth in section six, article three of this chapter shall, to the extent required by said section, be under the control of the state treasurer and shall not be withdrawn by the insurance company without the approval of the insurance commissioner." We were not able to locate a contract provision addressing the securities held by the state treasurer.
- c) WV Code §33-8A-6(b)(15) requires the agreement to contain the following clause: "The custodian shall provide written notification to the insurer's domiciliary commissioner if the custodial agreement with the insurer has been terminated or if one hundred percent of the account assets in any one custody account have been withdrawn. This notification shall be remitted to the insurance commissioner within three business days of the receipt by the custodian of the insurer's written notice of termination or within three business days of the withdrawal of one hundred percent of the account assets. We were not able to locate a contract provision addressing this. The Company indicated that if there are other statutory guidelines that require notification then the agreement may not need this provision. WV statutes require this provision to be included in the custodial agreement.

Recommendation: It is recommended that the Company amend its custodial agreement with The Northern Trust Company to include the required provisions noted above for West Virginia Mutual Insurance Company. It is further recommended that the WVMIC Board of Directors, or a committee designated by the WVMIC Board of Directors, formally approve the agreement via a written resolution.

Company response: The Company agreed with the recommendation.

3. Conflict of Interest Disclosures

Issue: Conflict of Interest Disclosures were not completed each year for each officer and director.

Recommendation: It is recommended that the Company obtain signed conflict-of-interest forms for all directors and senior officers on an annual basis in accordance with its Conflict-of-Interest Policy, and maintain formal documentation that the Board of Directors has reviewed any disclosures along with their disposition.

Company Response: The Company agreed with the recommendation and has implemented procedures to ensure all responsible parties complete annual conflict of interest disclosure statements going forward.

4. A. Bylaw Compliance - Annual Shareholder Meetings

Issue: The Company's Fifth Amended and Restated Bylaws, section 3.2, require an annual meeting of the shareholders of the Company to be held within six (6) months of the end of the fiscal year, at the principal office of the Company or at such other date, time and place each year as the shareholders may determine, for the purpose of electing Directors, ratifying the actions of the Company and transacting such other business as may properly come before the meeting. WV Code §31D-7-701(a) requires the Company to hold a meeting of shareholders annually at a time stated in or fixed in accordance with the Bylaws. The Company was not able to provide documentation of the annual shareholder meeting for 2021 or 2022.

B. Bylaw Compliance - Officer Elections

Issue:

- a. The Company's Fifth Amended and Restated Bylaws, section 6.1, requires the Officers of the Company to be an Executive Chairman, a Chairman, a Chief Executive Officer, a President, a Secretary and a Treasurer. There was no documentation in the Board of Director meeting minutes that an Executive Chairman was designated. WV Code §31D-8-840(a) requires the Company to have the officers described in its Bylaws or appointed by the Board of Directors in accordance with the Bylaws.
- b. The Company's Fifth Amended and Restated Bylaws, section 6.2, requires the officers to be designated annually by the Board of Directors at the annual meeting of the Board of Directors, with a one (1) year term or until the designation and qualification of their successor, or until their earlier death, resignation or removal. The May 10, 2021 Board of Director resolution only approved three (3) officer changes that were to be effective January 1, 2021 (Treasurer, Assistant Treasurer, and Assistant Secretary). None of the other Officers required by the Bylaws were designated by the Board of Directors at the 2021 annual meeting.

C. Effective Dates of Director Changes

The Board of Director and Shareholder meeting minutes do not specify the effective dates for some of the Director appointments to the Board and departures from the Board.

Recommendation: It is recommended that the Company comply with its Bylaws and with the provisions of WV Code §31D-7-701(a) and §31D-8-840(a) by: (a) holding annual shareholder meetings which are evidenced by formal meeting minutes, (b) annually designating all Officer positions required by the Bylaws. In addition, as a best business practice, it is recommended that the Company formally document in the meeting minutes the effective date of all Board of Director changes (appointments, resignations, retirements, etc.).

Company response: The Company disagreed with the recommendation to the extent that the Bylaws mistakenly did not accurately reflect the intent of management and control of the

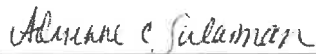
Company after the acquisition; however, the Company plans to amend its Bylaws and Articles of Incorporation.

ACKNOWLEDGEMENT AND SIGNATURE

This is to certify that the undersigned is a duly qualified Examiner appointed by the West Virginia Offices of the Insurance Commissioner. In addition to the undersigned, Neeraj Gupta, CFE, of Lewis & Ellis, Inc.; and representatives of the Georgia Office of Insurance, Arizona Department of Financial Institutions, and the District of Columbia Department of Insurance, Securities and Banking participated in the examination.

The examination was performed in accordance with those procedures authorized by the NAIC Financial Condition Examiner's Handbook and other procedures appropriate for this examination. The attached report of examination is a true and complete report of financial condition of West Virginia Mutual Insurance Company as of December 31, 2021 as determined by this examination.

Respectfully Submitted,



Adrienne Sulaiman, CFE

Examiner-in-Charge

Lewis & Ellis, Inc.

Representing the WV Offices of the Insurance Commissioner



Mary Jo Lewis, CPA

Director / Chief Financial Examiner

Financial Conditions Division

WV Offices of the Insurance Commissioner



STATE OF WEST VIRGINIA

Offices of the Insurance Commissioner

Allan L. McVey
Insurance Commissioner

April 17, 2023

Mr. Neil Morrel, CEO
West Virginia Mutual Insurance Company
3535 Piedmont Road NE
Building 14, Suite 1000
Atlanta, GA 30305-1518

RE: Report of Financial Examination as of December 31, 2021
West Virginia Mutual Insurance Company: #11972

Dear Mr. Morrel:

Please find enclosed a copy of the Report of Examination of West Virginia Mutual Insurance Company. This examination was performed in accordance with the provisions of Chapter 33, Article 2, Section 9 of the West Virginia Code, as amended. The Report of Examination reflects the financial affairs and condition of West Virginia Mutual Insurance Company, as of December 31, 2021.

You are hereby notified that you have ten (10) working days from receipt of this letter to make written submission or rebuttals with respect to any matter contained in the Report of Examination. If no exception is taken, please respond accordingly by the end of the ten (10) day comment period.

Sincerely,

Allan L. McVey
CPCU, ARM, AAI, AAM, AIS
Insurance Commissioner

ALM/jot

Enclosure: Copy of Report of Examination





**WEST VIRGINIA MUTUAL
INSURANCE COMPANY™**

A MAGMUTUAL® COMPANY

3535 Piedmont Road NE
Building 14, Suite 1000
Atlanta, GA 30305-1518

800-282-4882
404-842-5600
magmutual.com

17 April 2023

The Honorable Allan L. McVey
West Virginia Insurance Commissioner
900 Pennsylvania Ave.
Charleston, WV 25302

RE: Report of Financial Examination as of 31 December 2021

Dear Mr. McVey:

West Virginia Mutual Insurance Company acknowledges receipt of the Report of Examination and is in acceptance of the report.

Thank you for the professionalism of the staff, both from the OIC and from the contract exam firm, during the examination.

Sincerely,

Neil Morrell
Chief Executive Officer

